

**CITY OF INGLESIDE, TEXAS**

**MANAGEMENT LETTER**

**SEPTEMBER 30, 2014**

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## MANAGEMENT LETTER

February 26, 2015

The Honorable Mayor and City Council  
City of Ingleside  
Ingleside, Texas

We have audited the financial statements of the City of Ingleside, Texas for the year ended September 30, 2014 of which our report was dated February 26, 2015, thereon. As part of our examination, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the financial statements taken as a whole.

The administration of the City of Ingleside, Texas, is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

In addition, our study and evaluation made for the limited purpose described in the first paragraph, would not disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of City of Ingleside, Texas taken as a whole.

Our study and evaluation disclosed the following conditions that we believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of City of Ingleside, Texas may occur and not be detected within a timely period.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our examination of the September 30, 2014 financial statements, and this letter does not affect our report on these financial statements issued February 26, 2015.

Finding No. ML2014-01. As mentioned in prior audits, we noted that several small grants were posted in a single fund, with accounts not sufficiently identified by name and grant line item as per the grant contract (budget).

Recommendation No. ML2014-01. For internal control and accountability purposes, it is recommended that small grants be identified by name and per the grant line items for reporting purposes. We noted this is being rectified in the post audit period.

Finding No. 2014-02. As mentioned in prior audits, we noted during our expenditure testing several purchases were made without an initial purchase order being obtained. In addition, three sample items totaling \$11,136 of unrecorded liabilities were found.

Recommendation No. 2014-02. For internal control and accountability purposes, we recommend purchase orders be issued prior to acquisition of merchandise/goods and/or services received. The utilization of blank purchase orders could also be issued for normal reoccurring expenditures.

Finding No. 2014-03. During the payroll testing, we noted that twelve of thirty five employee selected had pre-tax vision deductions that were taxed, one employee had no W-4 form, one employee's net pay was not correct, five employee's I-9 forms were not complete and/or missing information, and five employee federal withholding tax did not match the Circular E.

Recommendation No. 2014-03. For internal control and compliance purposes, employee files and documentation should be reviewed to ensure all required information is complete and maintained in the employee files. Additionally, employee payroll information should be reviewed and updated, if needed, for proper payroll deductions. (pre-taxed calculation(s))

Finding No. 2014-04. During the payroll testing of the W-9 and 1099's, we noted that six W-9 forms were not found and/or missing and six of the remaining W-9 forms were dated after the sample was selected.

Recommendation No. 2014-04. For compliance and accountability purposes, the City should make sure all required W-9 forms are on file for current vendors. We recommend all vendors provide a W-9 before the city processes any payment request(s).

As is our normal practice following an audit, we are presenting our findings and recommendations to assist management in fulfilling its responsibility to maintain an adequate system of internal accounting control, your principal safeguard against irregularities.

Although our comments have been reviewed with the Administration's management, we shall be pleased to provide further information or discuss any questions you might have regarding the contents of this letter.

We take this opportunity to express our appreciation for the courtesy and cooperation extended to us by the City Council and the employees of City of Ingleside, Texas, during our audit.

Very truly yours,

Ernest R. Garza & Company, P.C. CPA's  
Corpus Christi, Texas 78410  
February 26, 2015

A handwritten signature in black ink, appearing to read "ERNEST R. GARZA P.C. CPA'S", is written over the typed name and address of Ernest R. Garza & Company, P.C. CPA's.